



DEPARTMENT OF STATE  
WASHINGTON

March 12, 1938

In reply refer to  
FE 893.114 N 16 Manchuria/272

CONFIDENTIAL

Attention: Customs Agency Service

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, referring to this Department's letter of December 30, 1937, encloses herewith, in duplicate, for the confidential information of the Treasury Department, a copy of despatch No. 71, dated January 27, 1938, from the American Consulate General at Mukden, concerning the policy of the "Manchukuo Government" in regard to the suppression of the use of narcotic drugs.

Attention is invited to the budget figures for 1938 representing an anticipated increase in consumption of opium.

Enclosure:

From Consulate General, Mukden,  
No. 71, January 27, 1938, in duplicate.

*Am. Cons. ✓*

// *SL*

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The Foreign Service  
of the  
United States of America

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American Consulate General,  
Mukden, Manchuria,  
January 27, 1938.

"Manchukuo" Opium Policy.

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to refer to recent despatches concerning "Manchukuo's" reformed opium and narcotics policy.\* It will be recalled that this office hesitated to state whether the new policy represented honest intent on the part of the Government to reduce, if not eradicate, the drug evil or whether it was merely a pious rationalization of tighter Government control over the opium and narcotics revenue.

Study of the 1938 budget\*\*, Monopolies Special Account, goes a long way towards dissipating uncertainty as to the Government's motive for instituting a so-called reform of its opium policy. The following statistical comparisons taken from the preceding and current budgets are revealing:

	1937	1938
Purchase of raw opium	29,085,000	28,883,000
Sale of opium	47,850,000	71,045,800

\* Despatches Nos. 59, 65, and 69 to the Department, dated September 27, 1937, November 6, 1937, and November 29, 1937, respectively.

\*\* A despatch on the budget is under preparation.

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The price of raw opium has not risen, that of processed opium has risen slightly.\* The above figures, therefore, represent an anticipated increase in consumption, irreconcilable with the Government's announced intention to curb the use of the drug. ~~The "Manchukuo" Government's expressions of solicitude for the welfare of the people steadily being debased by the drug traffic are familiar sanctimonious frauds~~

Respectfully yours,

John Davies, Jr.  
American Vice Consul

In quintuplicate to the Department.  
Copy to the Embassy, Peiping.  
Copy to the Embassy, Hankow.  
Copy to the Embassy, Tokyo.  
Copy to the Consulate General, Harbin.  
Copy to the Consulate, Dairen.  
Copy to the Treasury Attache, Shanghai.

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JD:fgl

\*Due largely, it is rumored, to a shortage arising out of the capture in November or December by insurgents of 27 trucks transporting Government opium. The difference between the purchase and sale prices above does not represent Government profit. Processing and distributing costs are unknown.

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